administration of the Fund (including costs relating to rent, utilities, office, bookkeeping, preparation of reports, normal accounting, travel and compensation to officers and employees).

Underwriting Fees and Commissions

There are no sales commission charges on sales of interests to Members. However, the Manager may make payments to third parties for introducing prospective Limited Partners to the Fund; provided, however, that (i) any such third parties must be subject to regulation by the NASD; and (ii) if the Fund makes any such payments, such payments will be charged solely against the capital account of the Manager. Furthermore, the Fund may enter into various arrangements ("soft dollar") that may be considered to be compensation to various brokers or "finders."

Borrowing by the Fund

The Fund is allowed to borrow funds, leverage positions and sell short and intends to do so aggressively, given the nature of its investment activities.

Conflicts of Interest and Other Activities of the Manager

Inherent conflicts of interest arise from the fact that the Manager acts on behalf of the Fund and carries on investment activities (in which the Fund has no interest) for other clients, including individual or institutional discretionary accounts, as well as for Principals or Affiliates of the Manager. Furthermore, Principals or Affiliates of the Manager own and operate a broker/dealer which is the Fund's primary broker.

BAYOU FUND, L.L.C.

The Manager or its Principals may organize additional funds or are managing accounts with the same business objective as this Fund. Any such other activity competes with the Fund for investments as well as for the time and attention of the Manager and its Principals.

The Manager, its Principals and other affiliates and associates engage in investment activities unrelated to or apart from the activities relating to the Fund, as well as owning and operating a brokerage firm.

Furthermore, since Principals or affiliates of the Manager own and operate a brokerage firm that the Fund utilizes as its primary broker in executing trades on behalf of the Fund and said Principals are entitled to receive commissions on said trades that may not be at the best possible rates otherwise available to the Fund.

Auditors and Accountants

3rd 4th week of March / 3/

Reports to Members

The Fund has elected a calendar fiscal year. Within ninety (90) days after the end of each year during the Fund's Term, the Fund will distribute tax information to the Members. In addition, the Fund distributes unaudited summary financial information to its Members on a quarterly basis, and on an annual basis distributes audited financial statements prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). In connection with the quarterly or annual

2nd March

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reports, it is anticipated that a management letter will be sent to the Members describing important events that occurred since the last report.

Indemnification

The Manager and its Members, directors, officers, employees, members, controlling persons, and agents are not liable to the Fund or any Member for any act or omission performed or omitted except for any liability resulting directly from such party's gross negligence or willful misfeasance. The Manager and its directors, officers, employees, members, controlling persons and agents are indemnified by the Fund (but not the Members individually) for any loss, damage, liability or expense arising from or in connection with activities of the Fund unless resulting directly from such party's gross negligence or wilful malfeasance.

Transferability of Interests

Interests are not assignable or transferable, except by operation of law.

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Samuel Israel III

Education	Tulane University - '79 - '82 Bachelor of Arts Program Hackley Preparatory School 1978
1995 - Present	Bayou Fund, LLC. - started 2/15/96. Private investor.
1993 - 1994	Head Trader at Omega Advisors, managed by Leon Cooperman. Managed assets exceeding 2 Billion Dollars. Responsible for all equity and financial futures execution for the firm; shared responsibility for hedging the portfolio with financial futures. January 1994 was made General Partner of Omega Advisors.
3/91 - 12/92	Involved in HMR Investors, L.P., a $60 million hedge fund managed by James G. Marquez. As special limited Partner, was responsible for the fund's short-term trading. From June 1992 to December 1992 I traded my own funds from my office in Purchase, New York, as well as continuing short term trading for HMR Investors, L.P.
6/90 - 3/91	AGA Associates, a money management division of Gruntal & Co., with assets of $100 million. Supervised the firm's equity division and traded both equities and financial futures.

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10/89 - 5/90	Vice President - Gerard Klauer Mattison Inc. Supervised the firm's trading accounts.
1/89- 10/89	Managing Director at Midwood Securities, a brokerage concern. From October 1989 until May 1990.
12/82 -12/88	F.J. Graber & Co., Inc., a New York Stock Exchange member organization and money management firm geared toward high velocity trading employing highly leveraged techniques and significant portfolio turnover. Responsibilities included coordinating various compliance and regulatory matters related to the purchase and sale of securities and the maintenance of margin accounts. On January 1986 took on the extra sole responsibility for the firm's trading in options and futures on a risk as well as hedged basis. Became a limited partner in January 1987 and undertook the additional responsibility of trading equity securities for the firm.

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James G. Marquez

Education	B.A. University of Texas '71. English M.B.A. Tulane University '74; Finance, Accounting. Chartered Financial Analyst C.F.A. 1977.
1995 - Present	Bayou Fund, LLC. - started 2/15/96. Private investor.
1991 - 1995	General Partner, HMR Investors, L.P., partnership managed as a domestic hedge fund. Discontinued early 1995. President, JGM Management Co., Inc. Discretionary manager of separately managed account(s) Discontinued 1995.
2/1/89 - 6/90	Steinhardt Partners General partner. Responsible for 25% of consolidated partnership assets. Managed as a hedge fund utilizing long and short equity positions bonds, commodities and currencies.
10/1/84 - 2/1/89	Self-employed. Private investor working through Graber & Co., a firm associated with Weiss, Peck, and Greer, New York.
1/1/83 - 9/30/84	Soros Fund Management. Executive Vice President. Domestic Equity Manager, co-international equity manager and portfolio risk manager for the Quantum Fund.

SS

4/1/80 - 12/31/82	Investors Diversified Services. Portfolio Manager of the Progressive Fund, a capital appreciation objective mutual fund.
7/1/74 - 3/30/80	Citibank, N.A. New York Portfolio Manager in Private Banking Division. Managed both growth and income funds. Duties also included policy/strategy oversight for the division as well as the entire Investment Management Group (I.M.G.).

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Bayou Fund LLC - Performance - 1997

Month	*ROR*	*Quarter TD*	*Year TD*	
January	4.96		4.96	
February	6.56		11.84	
March	0.18	12.04	12.04	
April	-0.28		11.73	
May	25.44		40.15	
June	-13.19	8.71	21.67	
July	-1.17		20.42	
August	6.82		28.46	
September	-5.05	0.2389	21.96	
October	5.33		28.46	
November	3.85		33.4	
December	5.63	15.54	40.92	*AUDITED - Gross ROR*

Bayou Fund LLC - Performance 1998

Month	*ROR*	*Quarter TD*	*Year TD*	
January	-3.57		-3.57	
February	16.31		12.16	
March	0.46	12.67	12.67	
April	-3.40		8.84	
May	-5.55		2.8	
June	0.64	-8.18	3.46	
July	3.58		7.16	
August	6.70		14.34	
September	0.55	11.12	14.97	
October	1.03		16.223	
November	1.05		17.443	
December	3.92	6.092	22.047	*AUDITED Gross ROR*

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Samuel Israel III

1995 – Present	**Bayou Fund, LLC**. - A partnership managed as a domestic hedge/trading fund. **Bayou Management, LLC** - manager of the **Bayou Fund**, and separately managed accounts
1993 - 1994	**Omega Advisors - Head Trader** Managed assets exceeding 2 billion dollars for Leon Cooperman. Responsible for all equity and financial futures execution for the firm; shared responsibility for hedging the portfolio with financial futures. Became a General Partner of Omega Advisors in January 1994.
3/91 - 12/92	**HMR Investors, L.P. - Special Limited Partner** a $60 million hedge fund managed by James G. Marquez. Was responsible for the fund's short-term trading. From June 1992 to December 1992 I operated as a private investor, as well as continuing short term trading for HMR Investors, L.P.
6/90 - 3/91	**AGA Associates**, a money management division of Gruntal & Co., with assets of $100 million. Supervised the firm's equity division and traded both equities and financial futures.
10/89 - 5/90	**Vice President - Gerard Klauer Mattison Inc.** Supervised the firm's trading accounts.
1/89 - 10/89	**Managing Director at Midwood Securities**, a brokerage concern.
12/82 - 12/88	**F.J. Graber & Co., Inc.**, a New York Stock Exchange member organization and money management firm geared toward high velocity trading employing highly leveraged techniques and significant portfolio turnover. Responsibilities included coordinating various compliance and regulatory matters related to the purchase and sale of securities and the maintenance of margin accounts. on January 1986 took on the extra sole responsibility for the firm's trading in options and futures on a risk as well as hedged basis. Became a limited partner in January 1987 and undertook the additional responsibility of trading equity securities for the firm.
Education	**Tulane University - 1979 - '82** Bachelor of Arts Program **Hackley Preparatory School 1978**

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

BAYOU FUND, LLC

December 31, 1997

Grant Thornton

GRANT THORNTON LLP
Accountants and Management Consultants
The U.S. Member Firm of Grant Thornton International

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

BAYOU FUND, LLC

December 31, 1997

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Grant Thornton
GRANT THORNTON LLP Accountants and Management Consultants
The U.S. Member Firm of Grant Thornton International

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Members of
Bayou Fund, LLC

We have audited the accompanying statement of financial condition, including the condensed schedule of investments, of Bayou Fund, LLC, as of December 31, 1997, and the related statements of operations, changes in members' capital and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bayou Fund, LLC as of December 31, 1997, and the results of its operations, changes in its members' capital and cash flows for the year then ended, in conformity with generally accepted accounting principles.

Grant Thornton LLP

New York, New York
April 23, 1998

Bayou Fund, LLC

STATEMENT OF FINANCIAL CONDITION

December 31, 1997

ASSETS

Cash	$ 1,526
Securities owned - at market value (cost $1,533,975)	1,587,936
Due from brokers	3,105
Prepaid expense	4,000
Organization expense - net	32,504
Total assets	$1,629,071

LIABILITIES AND PARTNERS' CAPITAL

Liabilities	
Securities sold, but not yet purchased (cost $13,580)	$ 28,875
Due to broker	80,540
Due to member	1,635
	111,050
Members' capital	1,518,021
	$1,629,071

The accompanying notes are an integral part of this statement.

Bayou Fund, LLC

CONDENSED SCHEDULE OF INVESTMENTS

December 31, 1997
(expressed in U.S. dollars)

Shares		Value
	COMMON STOCKS OWNED (84.99%)	
	United States (84.99%)	
	Oil (37.24%)	
14,000	Gulf Island Fabrication Inc. (18.49%)	$ 280,000
9,500	Friede Goldman International Inc. (18.75%)	283,811
		563,811
	Technology (32.39%)	
10,000	Micron Technology Inc. (17.13%)	259,375
12,000	Seagate Technology Inc. (15.26%)	231,000
		490,375
	Natural Resources (15.36%)	
120,000	Nord Resources Corp. (15.36%)	232,500
	TOTAL COMMON STOCK OWNED (cost $1,293,109)	1,286,686
	LONG PUT AND CALL OPTIONS (19.89%) (cost $240,866)	
150	Call Texas Instruments Jan 040 CBOE exp. 1/17/98 (5.94%)	90,000
	Other (13.95%) *	211,250
		301,250
	TOTAL SECURITIES OWNED	$1,587,936
70	SHORT PUT CALL AND CALL OPTIONS (1.91%)	$ (28,875)
	TOTAL SECURITIES SOLD, BUT NOT YET PURCHASED (1.91%) (proceeds $13,580)	$ (28,875)

*No individual security in excess of 5% of net assets.

The accompanying notes are an integral part of this schedule.

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Bayou Fund, LLC

STATEMENT OF OPERATIONS

Year ended December 31, 1997

Net realized from investment transactions		
Net realized loss on futures	$(74,909)	
Net realized gain on securities and security options	380,888	
Net realized loss on securities, options and futures		$305,979
Unrealized appreciation (depreciation) on securities, options and futures		
Beginning of year	(38,504)	
End of year	38,667	
Unrealized appreciation		77,171
Net realized and unrealized gain from investment transactions		383,150
Investment income		
Interest income	20,787	
Dividend income	5,705	
	26,492	
Expenses		
Interest expense	33,115	
Dividend expense	2,625	
Amortization expense	9,996	
Professional fees	23,424	
Other expenses	1,064	
	70,224	
Investment loss - net		(43,732)
Net income		$339,418

The accompanying notes are an integral part of this statement.

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Bayou Fund, LLC

STATEMENT OF CHANGES IN MEMBERS' CAPITAL

Year ended December 31, 1997

	Managing Member	Members	Total
Members' capital at January 1, 1997	$ 164,856	$ 902,892	$1,067,748
Contributions	-	365,700	365,700
Withdrawals		(254,845)	(254,845)
Transfer of interests	(158,681)	158,681	-
Net income	24,131	315,287	339,418
Members' capital at December 31, 1997	$ 30,306	$1,487,715	$1,518,021

The accompanying notes are an integral part of this statement.

Bayou Fund, LLC

STATEMENT OF CASH FLOWS

Year ended December 31, 1997

Cash flows from operating activities	
Net realized and unrealized loss from investment transactions	$ 383,150
Net investment loss	(43,732)
Net income	339,418
Adjustments to reconcile net income to net cash used in operating activities	
Amortization	9,996
(Increase) decrease in operating assets	
Securities owned, at market	(1,083,986)
Other receivable	239,000
Due from broker	285,553
Prepaid expense	(4,000)
Increase (decrease) in operating liabilities	
Securities sold, but not yet purchased	28,875
Due to broker	80,540
Due to member	(14,842)
Net cash used in operating activities	(119,446)
Cash flows from financing activities	
Capital contributions	365,700
Capital withdrawals	(254,845)
Net cash provided by financing activities	110,855
NET DECREASE IN CASH	(8,591)
Cash and cash equivalents at beginning of year	10,117
Cash and cash equivalents at end of year	$ 1,526
Supplemental disclosure of cash flow information:	
Cash paid during the year for	
Interest	$ 32,415
Noncash financing activities:	
Transfer of interest	$ 158,681

The accompanying notes are an integral part of this statement.

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Bayou Fund, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE A - ORGANIZATION

Bayou Fund, LLC (the "Fund") was organized as a Limited Liability Company under the laws of the State of New York during 1996. The purpose of the Company is to invest in equity securities, commodities, financial and other futures and options thereon, put and call options and interest rate sensitive instruments traded on U.S. and foreign securities and commodity futures exchanges.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Accounting for Investments

Investments in securities traded on the exchanges described in Note A are stated at the last reported sales price on the day of valuation as of December 31, 1997; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price, except for short positions and call options written, for which the last quoted asked price is used. The market value of open commodity futures contracts and options is based upon the closing quotation on the exchange on which the contract is traded. Restricted securities and other securities for which quotations are not readily available are valued at fair value or at cost which is deemed to be the approximate fair value as determined by the managing general member.

Realized and unrealized changes in fair values are recognized in the statement of operations.

The specific identification method is used in determining realized gains and losses.

Transactions in securities, options and futures contracts and the related revenue and expense are recorded on a trade-date basis.

Commission expense on commodity futures contracts is recorded upon closing each transaction.

Bayou Fund, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1997

NOTE B (continued)

Income Taxes

No provision for Federal, state or city income taxes has been made since the Fund is not a taxable entity and the members are individually liable for the taxes on their share of the Fund's income or loss.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Amortization

Organization expenses are amortized on a straight-line basis over five years.

NOTE C - DUE FROM AND DUE TO BROKERS

The clearing and depository operations for the Fund's proprietary transactions are performed by its clearing brokers pursuant to a clearance agreement. At December 31, 1997, all the securities owned, futures and securities sold, but not yet purchased and the amounts due from broker reflected on the statement of financial condition are positions with the clearing brokers.

The amount due from brokers primarily represents receivables for funds held by securities brokers which result from proceeds of short sales, amounts transferred to the brokers to serve as deposits, amounts which have not yet been invested and proceeds from realized securities transactions. These funds are essentially restricted to the extent that they serve as collateral against short sales. It is the Fund's policy to continuously monitor the credit standing of the brokers with whom it conducts business.

Bayou Fund, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1997

NOTE C (continued)

The amount due to brokers represents obligations for unsettled trades and margin borrowings which are collateralized by the Fund's marketable securities, whose market values substantially exceed the amount borrowed. Subsequent market fluctuations may require purchasing securities sold, but not yet purchased at prices which may differ from the market value reflected in the statement of financial condition.

NOTE D - RELATED PARTY TRANSACTIONS

The Fund's manager (the "Manager"), Concorde Asset Management, Inc., is 100% owned by a member who acts as the General Member. The Manager of the Fund is primarily responsible for the management of the Fund. In 1997, the Fund decided to waive the annual management fee to the Manager. The Manager of the Fund bears all the Fund's normal and recurring operating expenses, with respect to the administration of the Fund, as defined by the operating agreement. The Fund is responsible for all investment, legal, accounting, auditing and tax preparation expenses.

The sole shareholder of the Fund's Manager is also the sole owner of Bayou Securities LLC ("Securities") and acts as an introducing broker for the Fund. Securities executed trades on behalf of the Fund and earned $546,439 in commissions for the period ended December 31, 1997.

During 1997, the General Member partially transferred his interest in the Fund to other members amounting to $158,681.

NOTE E - ALLOCATION OF NET PROFITS AND LOSSES

Net profits and losses are allocated in each fiscal period in accordance with each member's capital percentage at the beginning of such fiscal period, except that 20% of net profits, as defined in the Operation Agreement, shall be reallocated to the Manager. Net losses will be allocated to all members as stated above and to the extent that any partner has allocated losses in excess of allocated

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Bayou Fund, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1997

NOTE E (continued)

profits since the last reallocation, such partner will not be subject to the 20% reallocation until such losses are recovered. The Manager has decided to waive the reallocation of the 20% for the year ended December 31, 1997.

NOTE F - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET MARKET RISK AND DERIVATIVE FINANCIAL INSTRUMENTS

The Fund's exposure to market risk associated with investing activities (including securities sold, but not yet purchased) can be directly impacted by volatile trading markets which may impair the Fund's ability to liquidate the securities at an amount equal to the present market value. The Fund monitors its activity by reviewing information it receives from its clearing broker on a daily basis, and requiring it to deposit additional collateral, or reduce positions, when necessary.

During 1997, the Fund's trading activities included commodity futures, equity and index options, all of which are forms of derivative financial instruments. These derivatives are used for trading purposes and for managing risk associated with the portfolio of investments. All positions are reported in the accompanying statement of financial condition at fair value and any change in fair value is reflected in the accompanying statement of operations as gain or loss as it occurs. Financial futures and forward settlement contracts and swap agreements are reported at open trade equity.

Market Risk

In the normal course of business, the Fund enters into transactions in derivative financial instruments with off-balance-sheet risk. These instruments, primarily options and options on futures, contain varying degrees of off-balance-sheet risk to the extent that subsequent changes in the market value of the securities underlying the instruments may be in excess of the amounts recognized in the statement of financial condition. The Fund's exposure to market risk is influenced by a number of factors, including the relationships among financial instruments with off-balance-sheet risk and the Fund's investment portfolio, as well as the volatility and liquidity in the markets in which the financial instruments are traded.

Bayou Fund, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1997

NOTE F (continued)

In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Fund's overall exposure to market risk. The Fund seeks to limit its exposure to market risk arising from the use of these financial instruments through the use of hedging strategies and various analytical monitoring techniques. In order to measure derivative activity, notional or contract amounts are frequently utilized. Notional/contract amounts, which are not included on the statements of financial condition, are used to calculate cash flows to be exchanged and are generally not actually paid or received, with the exception of foreign exchange forwards. The notional/contract amounts of financial instruments that give rise to off-balance-sheet market risk are indicative only of the extent of involvement in the particular class of financial instrument and are not necessarily an indication of overall market risk. In many cases, the Fund limits its risk by holding offsetting security positions.

Listed in the table below are the notional/contract amounts, fair value and average fair value of the Fund's derivative financial instruments as of and for the year ended December 31, 1997:

	Notional/ contract amounts	Fair value	Average fair value
Options			
Equity options (calls) - assets	$1,855,000	$301,250	$ 90,332
Equity options (calls) - liabilities	315,000	28,875	2,406
Options on futures contracts			
Assets			112,859
Liabilities			394,270

During 1997, the net realized loss on derivatives amounted to approximately $74,909.

Credit Risk

The notional/contract amounts of these instruments do not represent the Fund's potential risk of loss due to counterparty nonperformance. Credit risk arises from the potential inability of counterparties to perform in accordance with the terms of the contract. The Fund's exposure to credit risk associated with counterparty nonperformance is limited to the net replacement cost of over-the-

Bayou Fund, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1997

NOTE F (continued)

counter contracts in a gain position which are recognized in the Fund's statements of financial condition. Substantially, all of the Fund's derivative financial instruments are exchange traded. Exchange traded financial instruments, such as futures and options, generally do not give rise to significant counterparty exposure due to the margin requirements of the individual exchanges. Options written generally do not give rise to counterparty credit risk since they obligate the Fund (not its counterparty) to perform.

The Fund seeks to limit credit exposures by limiting transactions with specific counterparties, assessing the future creditworthiness of such counterparties and requiring collateral where appropriate.

Subscription

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

BAYOU FUND, LLC

December 31, 1998

Richmond-Fairfield Associates

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Richmond-Fairfield Associates
111 John Street, Suite 1720 New York, NY 10038 (T) 212-766-4233 (F) 212-766-4225

Certified Public Accountants Management Consultants Computer Integration Consultants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Members of
Bayou Fund, LLC

We have audited the accompanying statement of financial condition, including the condensed schedule of investments, of Bayou Fund, LLC, as of December 31, 1998, and the related statements of operations, changes in members' capital and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Bayou Fund, LLC as of December 31, 1998 and the results of its operations, changes in its members' capital and cash flows for the year then ended, in conformity with generally accepted accounting principles.

New York, New York
March 22, 1999

Bayou Fund, LLC

STATEMENT OF FINANCIAL CONDITION

December 31, 1998

ASSETS

Cash	$ 526
Securities owned – at market value (cost $393,099)	351,750
Due from brokers	3,761,539
Prepaid expense	5,000
Organization expense – net	22,508
Total assets	$ 4,141,323

LIABILITIES AND PARTNERS' CAPITAL

Liabilities	
Securities sold, but not yet purchased	$ - 0 -
Accruals – Professional & Incentive Fees	129,628
Members' capital	4,011,695
Total liability & capital	$ 4,141,323

The accompanying notes are an integral part of this statement.

Bayou Fund, LLC

CONDENSED SCHEDULE OF INVESTMENTS

December 31, 1998
(expressed in U.S. dollars)

Shares		Value
	COMMON STOCKS OWNED (7.01%) United States (7.01%)	
13,000	DIDAX Inc. (3.26%)	$ 128,375
20,000	Sun Healthcare Group, Inc, (3.36%)	132,500
2,000	Varco International Inc. (.3932%)	15,500
	TOTAL COMMON STOCK OWNED (cost $ 301,897)	276,375
	LONG PUT AND CALL OPTIONS: WARRANTS	
*	Other – Various (1.341%)	52,875
5,000	DIDAX Inc.-Warrants (.057%)	22,500
	TOTAL SECURITIES OWNED	$ 351,750
	TOTAL SECURITIES SOLD, BUT NOT YET PURCHASED	- 0 -

*No individual security in excess of 5% of net assets.

The accompanying notes are an integral part of this schedule.

Bayou Fund, LLC

STATEMENT OF OPERATIONS

Year ended December 31, 1998

Net realized from investment transactions		
Net realized loss on futures	$ (95,287)	
Net realized gain on securities and security options	807,067	
Net realized gain on securities, options and futures		$ 711,780
Unrealized appreciation (depreciation) on Securities, options and futures		
Beginning of year	38,667	
End of year	(41,350)	
Unrealized depreciation		(80,017)
Net realized and unrealized gain From investment transactions		631,763
Investment income		
Interest income	3,822	
Dividend income	3,392	
	7,214	
Expenses		
Interest expense	64,435	
Dividend expense	3,207	
Amortization expense	9,996	
Professional fees	37,200	
Other expenses	4,825	
	119,663	
Investment loss – net		(112,449)
Gross Income (excluding incentive fee allocation)		519,314
Less : Incentive Fee		96,628
Net Income		$ 422,686

The accompanying notes are an integral part of this statement

Bayou Fund, LLC

STATEMENT OF CHANGES IN MEMBERS' CAPITAL

Year ended December 31, 1998

	Managing Member	Members	Total
Members' capital at January 1, 1998	$ 30,306	$1,487,715	$1,518,021
Contributions	150,000	2,060,888	2,210,888
Withdrawals	(14,900)	(125,000)	(139,900)
Net income	19,848	402,838	422,686
Members' capital at December 31, 1998	$ 185,254	$ 3,826,441	$ 4,011,695

Sam ← 60 mill
$ 700,000

Jim
$ 700,000
Brothers 600,000

The accompanying notes are an integral part of this statement.

Bayou Fund, LLC

STATEMENT OF CASH FLOWS

Year ended December 31, 1998

Cash flows from operating activities	
Net realized and unrealized gain from Investment transactions	$ 631,763
Net investment loss	(112,449)
Incentive Fee	(96,628)
Net income	422,686
Adjustments to reconcile net income to net cash used in operating activities	
Amortization	9,996
(Increase) decrease in operating assets	
Securities owned, at market	1,236,186
Due from brokers	(3,758,434)
Prepaid expense	(1,000)
Increase (decrease) in operating liabilities	
Securities sold, but not yet purchased	(28,875)
Due to broker	(80,540)
Due to member	(1,635)
Accruals	129,628
Net cash used in operating activities	(2,071,988)
Cash flows from financing activities	
Capital contributions	2,210,888
Capital withdrawals	(139,900)
Net cash provided by financing activities	2,070,988
NET DECREASE IN CASH	(1,000)
Cash and cash equivalents at beginning of year	1,526
Cash and cash equivalents at end of year	$ 526
Supplemental disclosure of cash flow information:	
Cash paid during the year for Interest	$ 64,435

The accompanying notes are an integral part of this statement.

Bayou Fund, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A – ORGANIZATION

Bayou Fund, LLC (the "Fund") was organized as a Limited Liability Company under the laws of the State of New York during 1996. The purpose of the Company is to invest in equity securities, commodities, financial and other futures and options thereon, put and call options and interest rate sensitive instruments traded on U.S. and foreign securities and commodity futures exchanges.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Accounting for Investments

Investments in securities traded on the exchanges described in Note A are stated at the last reported sales price on the day of valuation as of December 31, 1998; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price, except for short positions and call options written, for which the last quoted asked price is used. The market value of open commodity futures contracts and options is based upon the closing quotation on the exchange on which the contract is traded. Restricted securities and other securities for which quotations are not readily available are valued at fair value or at cost which is deemed to be the approximate fair value as determined by the managing general member.

Realized and unrealized changes in fair values are recognized in the statement of operations.

The specific identification method is used in determining realized gains and losses.

Transactions in securities, options and futures contracts and the related revenue and expense are recorded on a trade-date basis.

Commission expense on commodity futures contracts is recorded upon closing each transaction.

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Bayou Fund, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1998

NOTE B (continued)

Income Taxes

No provision for Federal, state or city income taxes has been made since the Fund is not a taxable entity and the members are individually liable for the taxes on their share of the Fund's income or loss.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Amortization

Organization expenses are amortized on a straight-line basis over five years.

NOTE C – DUE FROM AND DUE TO BROKERS

The clearing and depository operations for the Fund's proprietary transactions are performed by its clearing brokers pursuant to a clearance agreement. At December 31, 1998, all the securities owned, futures and securities sold, but not yet purchased and the amounts due from broker reflected on the statement of financial condition are positions with the clearing brokers.

The amount due from brokers primarily represents receivables for funds held by securities brokers which result from proceeds of short sales, amounts transferred to the brokers to serve as deposits, amounts which have not yet been invested and proceeds from realized securities transactions. These funds are essentially restricted to the extent that they serve as collateral against short sales. It is the Fund's policy to continuously monitor the credit standing of the brokers with whom it conducts business.

Bayou Fund, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1998

NOTE C (continued)

The amount due to brokers represents obligations for unsettled trades and margin borrowings which are collateralized by the Fund's marketable securities, whose market values substantially exceed the amount borrowed. Subsequent market fluctuations may require purchasing securities sold, but not yet purchased at prices which may differ from the market value reflected in the statement of financial condition.

NOTE D – RELATED PARTY TRANSACTIONS

The Fund's manager (the "Manager"), Bayou Management, LLC, is 100% owned by a member who acts as the General Member, (Concorde Asset Management, Inc. was converted to Bayou Management LLC in 1998.) The Manager of the Fund is primarily responsible for the management of the Fund. The Fund is not charged an annual management fee by the Manager. The Manager of the Fund bears all the Fund's normal and recurring operating expenses, with respect to the administration of the Fund, as defined by the operating agreement. The Fund is responsible for all investment, legal, accounting, auditing and tax preparation expenses.

The sole shareholder of the Fund's Manager is also the sole owner of Bayou Securities LLC ("Securities") and acts as an introducing broker for the Fund. Securities executed trades on behalf of the Fund and earned (net of operating expenses including ticket charges, paid by introducing broker on behalf of the Fund) in commissions, $169,478 for the period ended December 31, 1998.

NOTE E – ALLOCATION OF NET PROFITS AND LOSSES

Net profits and losses are allocated in each fiscal period in accordance with each member's capital percentage at the beginning of such fiscal period, except that 20% of net profits, as defined in the Operation Agreement, shall be reallocated to the Manager. Net losses will be allocated to all members as stated above and to the extent that any partner has allocated losses in excess of allocated profits since the last reallocation, such partner will not be subject to the 20% reallocation until such losses are recovered. The incentive fee of 20% is accrued in the financial statements. For 1998 the total fee is $ 96,628.

Bayou Fund, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1998

NOTE F – FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET MARKET RISK AND DERIVATIVE FINANCIAL INSTRUMENTS

The Fund's exposure to market risk associated with investing activities (including securities sold, but not yet purchased) can be directly impacted by volatile trading markets which may impair the Fund's ability to liquidate the securities at an amount equal to the present market value. The Fund monitors its activity by reviewing information it receives from its clearing broker on a daily basis, and requiring it to deposit additional collateral, or reduce positions, when necessary.

During 1998, the Fund's trading activities included commodity futures, equity and index options, all of which are forms of derivative financial instruments. These derivatives are used for trading purposes and for managing risk associated with the portfolio of investments. All positions are reported in the accompanying statement of operations as gain or loss as it occurs. Financial futures and forward settlement contracts and swap agreements are reported at open trade equity.

Market Risk

In the normal course of business, the Fund enters into transactions in derivative financial instruments with off-balance-sheet risk. These instruments, primarily options and options on futures, contain varying degrees of off-balance-sheet risk to the extent that subsequent changes in the market value of the securities underlying the instruments may be in excess of the amounts recognized in the statement of financial condition. The Fund's exposure to market risk is influenced by a number of factors, including the relationships among financial instruments with off-balance-sheet risk and the Fund's investment portfolio, as well as the volatility and liquidity in the markets in which the financial instruments are traded.

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Bayou Fund, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1998

NOTE F (continued)

In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Fund's overall exposure to market risk. The Fund seeks to limit its exposure to market risk arising from the use of these financial instruments through the use of hedging strategies and various analytical monitoring techniques. In order to measure derivative activity, notional or contract amounts are frequently utilized. Notional/contract amounts, which are not included on the statements of financial condition, are used to calculate cash flows to be exchanged and are generally not actually paid or received, with the exception of foreign exchange forwards. The notional/contract amounts of financial instruments that give rise to off-balance-sheet market risk are indicative only of the extent of involvement in the particular class of financial instrument and are not necessarily an indication of overall market risk. In many cases, the Fund limits its risk by holding offsetting security positions.

Listed in the table below are the notional/contract amounts, fair value and average fair value of the Fund's derivative financial instruments as of and for the year ended December 31, 1998.

	Notional/ Contract Amounts	Fair value	Average fair value
Options			
Equity options (puts) – assets	$ 815,000	$ 575,450	$ 172,509

During 1998, the net realized loss on derivatives amounted to $95,287.

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Bayou Fund, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1998

NOTE F (continued)

Credit Risk

The notional/contract amounts of these instruments do not represent the Fund's potential risk of loss due to counterparties nonperformance. Credit risk arises from the potential inability of counterparties to perform in accordance with the terms of the contract. The Fund's exposure to credit risk associated with counterparty nonperformance is limited to the net replacement cost of over-the-counter contracts in a gain position which are recognized in the Fund's statements of financial condition. Substantially, all of the Fund's derivative financial instruments are exchange traded. Exchange traded financial instruments, such as futures and options, generally do not give rise to significant counterparty exposure due to the margin requirements of the individual exchanges. Options written generally do not give rise to counterparty credit risk since they obligate the Fund (not its counterparty) to perform.

The Fund seeks to limit credit exposures by limiting transactions with specific counterparties, assessing the future creditworthiness of such counterparties and requiring collateral where appropriate.

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CUSTOM STRATEGY L.P.

640 West Putnam Avenue
Greenwich, CT 06830-7150
Tel: 203/661-1416 _ Fax: 203/661-2027

FACSIMILE TRANSMISSION

TO: Jim Marquez
Sam Israel

FAX #: 203-316-8820

FROM: [redacted]

Hi - This seemed easier than a telephone call.
[redacted]

DATE: December 3, 1999

RE: Various Questions

If you do not receive all of the pages indicated, or if you have any questions, please call 203/661-1310.

Number of pages including cover page: 2

Jim and Sam:

I have reviewed the documents you forwarded and have the following questions and issues which need to be clarified prior to making a decision regarding a year-end investment in Bayou.

1. The "What We Do" section states that there is a high water mark, but it is not indicated in the description's Allocation of Profit and Loss section. Where is the high water mark spelled out in partnership documents?
2. The description states that distributions can take the form of cash or securities. We cannot accept securities under any circumstances. Can you provide a side letter to that effect?
3. We need to have 90% of any withdrawal wired within five business days. Can this be provided in a side letter?
4. We cannot permit any delay in distributions for any reason. Can this be provided for?
5. Please provide a schedule of the expenses of prior offerings which are being charged to this fund as indicated on page 9 of the description.
6. In consideration for Custom Strategy essentially raising money for Bayou, we would like to reduce the General Partner's allocation of profit and loss to 15% from 20%. Is that possible?
7. Please forward *NET* monthly returns for 1999, *excluding hot issues*. Also, please provide a description of the annual returns you are presenting for 1998 and 1997 and net monthly returns (excluding hot issues) for those two years.
8. If Custom Strategy invests in Bayou, we will need to receive a verbal NET return (excluding hot issues) on the second business day following each month end. We will need to receive the attached fax, completed in full, on the fifth business day following each month-end.
9. Quarterly, we must receive a copy of your portfolio, including name of issue, symbol, current price, market value and percent of portfolio. This should be forwarded on the fifth business day with the fax indicated in #8 above.
10. Custom Strategy cannot participate in private placements or hot issues. Is that a problem.?

K-1 + audit dates

SUBSCRIP...

Bayou Fund LLC

40 Signal Road Stamford, CT 06902

(T) 203-324-0333 (F) 203-316-8820
E Mail – samisrael@bayougroup.com

To: [redacted]

From: Sam Israel III

Date: December 3,1999

Re: Response to Custom Strategy L.P. Questions

[redacted]

Thank you for taking the time to review our material closely enough to warrant your follow-up questions. I very much prefer the written format, as there can be nothing ambiguous or misunderstood, which happens often in a phone call. I feel the best way to address your questions is to answer them in the same manner you asked them. I have enclosed your original memo so you can easily refer to our numbered responses.

Jim and I both hope the provided answers will clarify any questions you may have, but please feel free to ask as many as you like. We do not wish to have any person or entity in the fund who does not feel entirely comfortable or does not understand exactly what we do and how we do it. This enables us not only to have a loyal investment base (which we do) but also allows us to operate freely in the best interest of ALL our investors without exception.

Please call with comments or fax additional concerns or questions. We hope you decide to join us and grow with us.

1. We do have a high water mark, which is clearly spelled out, in our Operating Agreement. We currently are updating our synopsis to not only include that but additional info as well. The synopsis is given out more readily than the actual Subscription and Operating documents, thus it is not as comprehensive.
2. Our lawyers when forming the fund obviously wanted to provide the maximum protection for us under ALL circumstances. Our profile is one of trading, not investing. I cannot envision any circumstance where this would apply. We will readily provide you with a letter stating such.
3. We have no problem with 5 days I believe we quote 10 in the docs however, we paid the only withdrawal we ever had immediately.
4. There will be no delays in any distributions with one exception. If either Jim or myself dies there may be some period investors would have to wait. Since I hope this will not be the case, there is no other circumstance that would cause any delay.

5. I will provide a schedule of expenses to you. I would like to remind you that the very reason we formed a broker-dealer is that the fund pays only legal and accounting fees, which is required by law. The 50,000 number was derived from these fees, initial preparation of our subscription and operating documents, filing fees with Conn. and other regulatory bodies. This initial expense which totaled almost 50,000 dollars is being amortized over a five-year period. In other words, the answer to your question is that you are not walking into any significant expense loaded situation that would affect you in any way. Any other entities we may launch in the future would have nothing to do with Bayou Fund LLC. Solely legal and accounting which we keep to a minimum are charged to the fund.
6. This is an issue, which we need you to not only keep an open mind, but also provide us with the flexibility to properly achieve the same result, but by a different path than you are accustomed to. Bayou Fund LLC legally cannot pay any individual or entity for funds raised. This would be classified as preferential allocation to certain members by way of a reduced fee structure. The very reason we structured our business as we have done is to provide equal, fully disclosed numbers to all everyone in our fund. As you know, we have no hidden costs related to undisclosed soft dollars. We also do not charge a management fee, just incentive fees. We provide each member with the details of our commissions recaptured, as well as expenses paid through the brokerage fund. This is much cleaner for us and much more straight forward than most entities. It is the way we choose to do business. What we can do is either calculate the 5% fee and pay you through the Management Co. as consultant, or what we will offer you is a 3% fee on assets annually paid also through the Management Co. in order to take the risk of performance out of your equation. If for some reason we do not perform, you will withdraw anyway so this offers a higher level of compensation as a good faith gesture on our part. Precisely because we have a brokerage firm we are able to pay the higher amount, and we would hope that this would be an incentive for you to raise more money for us as your comfort level grows.
7. We will not use net monthly figures for any current year for the following reasons. Our fee is solely based on ANNUAL performance. To calculate a fee monthly is superfluous as the fee is calculated on a final audited number. In order to provide net numbers monthly, we would have to recalculate our numbers going backwards if we had a down month. This would raise our audit fee, which the fund pays and would be contrary to our objective of keeping our costs to the fund at a minimum. We are paid on our final annual number and we do not accrue during the year as this number could change monthly. To do so would be counter productive to the integrity of the larger picture which is to provide consistent annual returns to our members. Enclosed are the audited annual returns since inception on a monthly basis. We do not participate in any hot issues as we are precluded from doing so by ownership of the brokerage firm. Our returns are REAL, not inflated by bull market circumstances.
8. We are happy to provide gross numbers as we do for most members by the 2nd day of each month end. You will also receive a monthly letter within the following week. Since we are able to keep costs charged to the fund at a minimum you can back out the fee yourself and not be incorrect in your calculations.
9. This is no problem. You should keep in mind that since we are a highly active trading entity, what you receive, as month end positions quarterly may not be at

all representative of positions on the 5th day of the month. I assume this is to be made aware of any outsized positions, which could materially affect performance. This is contrary to the way we operate.

10. Bayou Fund LLC does not participate in any hot, or new issues as our ownership of a registered brokerage firm precludes us from doing so. We have never been involved in any private placement, but if for some reason in the future we are, you will be excluded. Please send a letter detailing this to us.

11. Since our meeting we have been chosen for inclusion in the First Boston/Tremont hedge fund index which is the first hedge fund index of this kind. We are definitely the smallest fund in the index which is all the more flattering to us. We have undergone an intense amount of scrutiny for over two years to fill the criteria of inclusion. I mention this solely based upon the unfortunate experience you had and shared with me during our meeting. We hope you choose to join and grow with us, we share the same vision of steady above average returns in any market conditions as you do. As I have said to you we win with grace and lose with integrity.

Bayou Fund L.L.C. – Performance – 1997

Month	Performance	Quarter to Date	Year to Date
January	4.96%		4.96%
February	6.56%		11.84%
March	0.18%	12.04%	12.04%
April	-0.28%		11.73%
May	25.44%		40.15%
June	-13.19%	8.71%	21.67%
July	-1.17%		20.42%
August	6.82%		28.46%
September	-5.05%	0.2389%	21.96%
October	5.33%		28.46%
November	3.85%		33.4%
December	5.63%	15.54%	40.92% ***Audited Gross ROR***

Bayou Fund L.L.C. – Performance – 1998

Month	Performance	Quarter to Date	Year to Date
January	- 3.57%		- 3.57%
February	16.31%		12.16%
March	0.46%	12.67%	12.67%
April	- 3.40%		8.84%
May	- 5.55%		2.8%
June	0.64%	-8.18%	3.46%
July	3.58%		7.16%
August	6.70%		14.34%
September	0.55%	11.12%	14.97%
October	1.03%		16.223%
November	1.05%		17.443%
December	3.92%	6.092%	22.047% ***Audited Gross ROR***

Bayou Fund L.L.C. – Performance – 1999

Month	Performance	Quarter to Date	Year to Date
January	1.0%		1.0%
February	1.8%		2.818%
March	3.4%	6.314%	6.314%
April	6.2%		12.91%
May	3.5%		16.85%
June	2.31%	12.456%	19.56%
July	0.8%		20.51%
August	2.81%		23.89%
September	2.1%	5.808%	26.50%
October	-1.4%		24.73%
November	2.6%		27.97%
December			

Prior Performance

1997	40.92%
1998	22.047%

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS